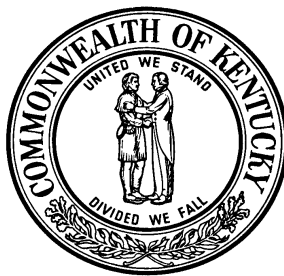


**REPORT OF THE AUDIT OF THE  
CAMPBELL COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

John Farris, Secretary

Finance and Administration Cabinet

Honorable Steve Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

The enclosed report prepared by VonLehman & Company, Inc., Certified Public Accountant, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements.

We engaged VonLehman & Company, Inc. to perform the audit of these financial statements. We worked closely with the firm during our report review process; VonLehman & Company, Inc. evaluated the Campbell County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT**

**JUNE 30, 2006**

VonLehman & Company, Inc. has completed the audit of the Campbell County Fiscal Court for fiscal year ended June 30, 2006.

We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Campbell County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Campbell County's major federal programs, U.S. Department of Housing and Urban Development Housing Choice Voucher Program and Section 236 Direct Loan for the year ended June 30, 2006.

#### **Financial Condition:**

The fiscal court had net assets of \$36,504,364 at June 30, 2006. The fiscal court had unrestricted net assets of \$18,450,662 in its governmental activities as of June 30, 2006 with total net assets of \$35,383,134. In its business-type activities, total net cash and cash equivalents were \$140,800 with total net assets of \$1,121,230. The fiscal court had total debt principal as of June 30, 2006 of \$18,806,203 with \$1,213,166 due within the next year.

#### **Report Comments:**

2006-1      The Fiscal Court Should Set Up All Capital Assets In Its Capital Asset Software Prior To The Audit

#### **Deposits:**

The fiscal court deposits were insured and collateralized by bank securities or bonds. There is a sweep investment portion of the County's Payroll Tax Checking Account that is not collateralized by the bank as they consider this to be an investment.



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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John Farris, Secretary  
Finance and Administration Cabinet  
Honorable Steve Pendery, Campbell County Judge/Executive  
Members of the Campbell County Fiscal Court

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Campbell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John Farris, Secretary  
Finance and Administration Cabinet  
Honorable Steve Pendery, Campbell County Judge/Executive  
Members of the Campbell County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campbell County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2006, on our consideration of Campbell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following finding:

2006-1      The Fiscal Court Should Set Up All Capital Assets In Its Capital Assets Software Prior To The Audit

VonLehman & Company Inc.

November 29, 2006  
Fort Mitchell, Kentucky

**CAMPBELL COUNTY OFFICIALS**

For The Year Ended June 30, 2006

**Fiscal Court Members:**

Steve Pendery	County Judge/Executive
David E. Otto	Commissioner
Kenneth L. Rechlin	Commissioner
Mark T. Hayden	Commissioner

**Other Elected Officials:**

Justin Verst	County Attorney
Greg Buckler	Jailer
Jack Snodgrass	County Clerk
Thomas Calme	Circuit Court Clerk
John Dunn	Sheriff
Daniel Braun	Property Valuation Administrator
Mark Schweitzer	Coroner

**Appointed Personnel:**

Diane E. Bertke	County Treasurer
Linda Eads	Occupational Tax Collector
James Seibert	Finance Officer

**CAMPBELL COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

The financial management of Campbell County, Kentucky offers readers of Campbell County's financial statements this narrative overview and analysis of the financial activities of Campbell County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with other information that we may have furnished in our letter of transmission and the notes to the financial statements.

**Financial Highlights**

- Campbell County had net assets of \$36,504,364 as of June 30, 2006. The fiscal court had unrestricted net assets of \$18,450,662 in its governmental activities as of June 30, 2006. In its business-type activities, cash and cash equivalents were \$140,800 with total net assets of \$1,121,230. Total debt principal as of June 30, 2006 was \$18,806,203 with \$1,213,166 due within one year.
- ◆ The government's total net assets increased by \$1,887,987 from the prior year. This increase is primarily due to an increase in capital assets as there were significant amounts spent on the addition to the County Jail, the kitchen and laundry expansion at the County Jail, resurfaced roads, and vehicles.
- At the close of the current fiscal year, Campbell County's balance sheet for Governmental Funds reported a fund balance of \$21,672,536. Of this amount, \$14,218,415 is available for spending at the government's discretion (unreserved fund balance).
- Campbell County's total indebtedness at the close of fiscal year on June 30, 2006 was \$18,806,203, of which \$17,593,037 is long-term debt (due after 1 year) and \$1,213,166 is short-term debt (to be paid within 1 year). There was a new bond issue in the current fiscal year – General Obligation Public Projects Bonds – Series 2006. Proceeds are being used for the addition to the County Jail. Debt reductions were \$923,443. Campbell County had capital project expenditures amounting to \$4,314,684 during the year.

**Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Campbell County's basic financial statements. Campbell County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Campbell County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Campbell County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Campbell County is improving or deteriorating.

**Campbell County  
Management's Discussion and Analysis  
June 30, 2006**

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on the accrual basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Campbell County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has three business type activities: A.J. Jolly Park, Lakeside Terrace Apartments and the Jail Canteen Fund.

The government-wide financial statements include not only Campbell County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Campbell County has four such entities: A.J. Jolly Park, Lakeside Terrace Apartments, the Housing Choice Voucher Program and the Campbell County Public Properties Corporation. These are known as blended component units.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Campbell County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Campbell County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Campbell County maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail, Payroll Tax, the Housing Choice Voucher Program, the Debt Service Public Properties Corporation, and the General Obligation Bond/Construction funds, all of which are considered major funds by the County. The Local Government Economic Assistance, Developers Road Escrow, the Capital Projects, Senior Citizen Tax, and the Mental Health Tax funds are considered non-major funds and are represented in a combined form.

Campbell County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Campbell County**  
**Management's Discussion and Analysis**  
**June 30, 2006**

**Proprietary Funds.** Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Lakeside Terrace Apartments, A.J. Jolly, and the Jail Commissary funds.

**Fiduciary Funds.** Campbell County's fiduciary funds are agency funds which account for monies held by the County for custodial purposes only. The County's agency funds are the Jail Inmate Account, the Consolidated Payroll Tax Account, the Employee Fund Account, and the Performance Bond Account.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1**  
**Campbell County's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 23,270,299	\$ 10,519,406	\$ 164,671	\$ 142,927	\$ 23,434,970	\$ 10,662,333
Capital assets	30,793,400	28,627,515	1,526,179	1,618,247	32,319,579	30,245,762
Other assets	990,466	1,311,175	194,969	176,051	1,185,435	1,487,226
Total assets	55,054,165	40,458,096	1,885,819	1,937,225	56,939,984	42,395,321
<b>Liabilities</b>						
Current and other liabilities	2,289,708	1,690,568	345,886	261,516	2,635,594	1,952,084
Long-term liabilities	17,381,323	5,310,929	418,703	515,931	17,800,026	5,826,860
Total liabilities	19,671,031	7,001,497	764,589	777,447	20,435,620	7,778,944
<b>Net Assets</b>						
Invested in capital assets, net of related debt	16,932,472	27,578,422	1,029,440	1,031,229	17,961,912	28,609,651
Restricted	-	-	173,994	156,158	173,994	156,158
Unrestricted	18,450,662	5,878,177	(82,204)	(27,609)	18,368,458	5,850,568
Total Net Assets	\$ <u>\$35,383,134</u>	\$ <u>33,456,599</u>	\$ <u>1,121,230</u>	\$ <u>1,159,778</u>	\$ <u>36,504,364</u>	\$ <u>34,616,377</u>

**Campbell County  
Management's Discussion and Analysis  
June 30, 2006**

**Changes in Net Assets**

*Governmental Activities.* Campbell County's net assets increased by \$1,921,467 in fiscal year 2006. Key elements of this are as follows:

- Current assets increased by \$12,745,825. This was primarily due to the new bond issue if the current year for \$13,150,000.
- Current and long-term liabilities increased by \$12,669,534 as a result of the new bond issue as well.
- Revenues were \$27,384,913, as reflected in the Statement of Activities.
- Expenditures totaled \$25,458,378 as reflected in the Statement of Activities.

*Business-type Activities.* Campbell County's net assets for these activities decreased by \$33,480.

**Table 2  
Campbell County Condensed Statement of Activities**

	2006	2005	2006	2005	2006	2005
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Revenues:						
Program Revenues:						
Charges for Services	\$1,954,365	\$1,045,389	\$1,149,411	\$1,050,231	\$3,103,776	\$2,095,620
Operating Grants and Contributions	6,700,536	6,954,270			6,700,536	6,954,270
Capital Grants and Contributions	1,093,853	367,058			1,093,853	367,058
General Revenues:						
Property Taxes	5,244,853	4,916,978			5,244,853	4,916,978
Occupational Taxes	7,872,812	7,463,967			7,872,812	7,463,967
Other Taxes	2,511,429	1,819,139			2,511,429	1,819,139
Excess Fees	722,955	734,101			722,955	734,101
Other	<u>1,284,110</u>	<u>1,086,442</u>	<u>(33,371)</u>	<u>2763</u>	<u>1,250,739</u>	<u>1,089,205</u>
Total Revenues	<u>27,384,913</u>	<u>24,387,344</u>	<u>1,116,040</u>	<u>1,052,994</u>	<u>28,500,953</u>	<u>25,440,338</u>
Expenses:						
Governmental Activities						
General Government	12,347,792	11,447,598			12,347,792	11,447,598
Protective Services	6,032,680	5,699,798			6,032,680	5,699,798
Health and Sanitation	388,445	352,538			388,445	352,538
Social Services	3,101,862	3,328,646			3,101,862	3,328,646
Recreation and Culture	453,727	441,281			453,727	441,281
Roads	2,014,894	2,265,101			2,014,894	2,265,101
Bus Service	437,270	451,843			437,270	451,843
Debt Service	597,040	612,531			597,040	612,531
Capital Projects	84,668	3,890			84,668	3,890
Business Type Activities						
Jail Canteen			71,263		71,263	
Lakeside Terrace Apts.			322,919	310,522	322,919	310,522
A.J. Jolly Park			<u>760,406</u>	<u>765,579</u>	<u>760,406</u>	<u>765,579</u>
Total Expenses	<u>25,458,378</u>	<u>24,603,226</u>	<u>1,154,588</u>	<u>1,076,101</u>	<u>26,612,966</u>	<u>25,679,327</u>
Change in net assets	1,926,535	(215,882)	(38,548)	(23,107)	1,887,987	(238,989)
Net Assets- Beginning	33,461,667	33,677,549	1,154,710	1,177,817	34,616,377	34,855,366
Restatement of Net Assets	<u>(5,068)</u>	<u>-</u>	<u>5,068</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-Ending	<u>\$35,383,134</u>	<u>\$33,461,667</u>	<u>\$1,121,230</u>	<u>\$1,154,710</u>	<u>\$36,504,364</u>	<u>\$34,616,377</u>

**Campbell County  
Management's Discussion and Analysis  
June 30, 2006**

**Financial Analysis of the County's Funds**

As noted earlier, Campbell County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Campbell County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2006 fiscal year, the combined ending fund balance of County governmental funds was \$21,672,536. Approximately 66% (\$14,218,415) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$7,454,121) is reserved to indicate that it is not available for new spending because it is committed.

The County has seven major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Payroll Tax Fund; 5) General Obligation Bond/Construction Fund; 6) Housing Choice Voucher Fund and 7) Public Properties Corporation. There are five non-major funds. They are the Developers Road Escrow Fund, Local Government Economic Assistance Fund, the Capital Projects Fund, Senior Citizen Tax Fund, and Mental Health Tax Fund.

1. The General Fund is the chief operating fund of Campbell County. At the end of the June 30, 2006 fiscal year, unreserved fund balance of the General Fund was \$6,860,509, while total fund balance was \$6,861,399. During fiscal year 2006 there was an increase of \$5,216,839 from the prior year-end general fund balance. The county received \$4,179,253 in Real Property tax revenues. This accounts for approximately 37% of the general fund revenue. \$3,600,358 was received from personal property, motor vehicle and insurance taxes which account for approximately 32% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$722,955 or 6% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 25% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$504,451 in fund balance at June 30, 2006. The fund balance at the end of the previous year was \$300,237. The higher FY 2006 fund balance was due mainly to the timing of road expenditures. The fiscal year 2006 expenditures for road projects were \$2.0 million. Intergovernmental revenues for the funding of road projects provided a total of \$1,438,077. Transfers from the general fund provided the majority of the remaining funding requirement.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2006 of \$375,390. That is an increase in fund balance of \$255,886 from the previous fiscal year-end. The Jail Fund received \$1,907,805 from the state and federal governments for services, primarily for housing prisoners. Transfers from other funds were used to cover a total of \$2,307,432 in jail expenses.
4. The Payroll Tax Fund is used in part to provide funds for the operation of the regional transit system. As of 6/30/2006 the balance in this fund was \$4,707,183. This represented a decrease in the fund balance of \$484,003 from the previous year-end. This decrease in fund balance was due mainly to transfers made from the payroll fund to the general fund in order to meet the general funding needs of the County.

**Campbell County  
Management's Discussion and Analysis  
June 30, 2006**

5. The General Obligation Bond/Construction Fund is used to account for the new bond issue in the current fiscal year and related jail construction. On June 1, 2006, the County of Campbell, Kentucky General Obligation Public Project Bonds, Series 2006 were issued in the amount of \$13,150,000. The proceeds from this issue are for the addition to the County jail. At 6/30/2006 the balance in this fund was \$7,308,972 with \$6,434,929 of this balance reserved for encumbrances.
6. The Housing Choice Voucher Program ended the 2006 fiscal year with a fund balance of \$385,647. The previous year balance was \$177,323. The Program derives nearly all of its revenue from The Department of Housing and Urban Development (HUD).
7. The Public Properties Corporation Fund serves as a conduit for the financing of various County projects. Thus bonds and refunding bonds have been issued through this Corporation. The fund balance at the end of 6/30/06 was \$483,478. The 6/30/05 ending fund balance was \$467,536.
8. The total fund balance for the non-major funds as of June 30, 2006 was \$1,141,016. This represented a decrease over the prior year of \$609,088. Total expenditures for the non-major funds for the year were \$2,888,481. Capital project expenditures accounted for \$1,696,394 of this total. Other revenue sources for the non-major funds include occupational license and payroll taxes designated for Senior Citizens and mental health programs in the County. The Senior Citizen program revenues for the year from this source amounted to \$374,904. Mental Health program revenues were \$749,728 for the year. The Mental Health Fund also received \$102,056 in Safe Haven funds from the Federal Government. A total of \$145,625 was transferred out of the Mental Health Fund to cover mental health expenditures made by other funds. Another fund included in this category is the Capital Projects fund. All of the revenue in this fund (besides a small amount of interest income) comes from transfers out of the General Fund. During fiscal year 2006 these transfers totaled \$986,529.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Campbell County has three enterprise funds: the Jail Canteen Fund, the Lakeside Terrace Apartments, and A.J. Jolly Park.

1. The Jail Canteen Fund had net assets of \$10,493 as of June 30, 2006 with a cash balance of \$3,642. Most of the revenue for this fund is derived from sales to County Jail inmates and the expenses are purchases of items for resale as well as the salary of the canteen clerk.
2. Lakeside Terrace Apartments had net assets of \$405,600 as of June 30, 2006 with a cash balance of \$108,600. Most of the revenue for this fund is derived from tenant payments. During fiscal year 2006 these tenant payments for rent amounted to \$279,537. Federal payments into this fund for tenant assistance amounted to \$77,158.
3. A.J. Jolly Park net assets at 6/30/2006 amounted to \$705,137 with a cash balance of \$28,558. The majority of the Park's assets consisted of capital assets such as land and land improvements for this golf and general recreation facility. Net capital assets for the Park amounted to \$801,256 at the fiscal year-end. Revenues for the golf course amounted to \$668,314 and were derived from user fees.

**Campbell County  
Management's Discussion and Analysis  
June 30, 2006**

**General Fund Budgetary Highlights.**

The County's original budget was amended during the fiscal year increasing the operating budget. Budget amendments were made to the General Fund to adjust for the receipt of various unanticipated revenues and related expenses. The largest of these items was related to the new bond issue. The County also received \$177,168 in unanticipated Road Aid funds.

Actual operating revenues were \$514,859 more than the amount budgeted by the Fiscal Court. This increase was primarily due to higher tax revenues.

Actual operating expenditures were \$5,470,805 less than budgeted by the Fiscal Court. However, the budgeted amount includes a \$4,102,805 reserve for contingency. Therefore, if this is not included, expenditures were only \$1,368,000 less than budgeted. This was primarily due to less than anticipated debt service costs and less general government and protection to persons and property expenditures.

**Capital Assets and Debt Administration.**

*Capital Assets.* Campbell County's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounted to \$32,319,579 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure assets. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2006 fiscal year included the start of the construction of an addition to the jail, costs completing the construction of a jail kitchen/laundry facility, the purchase of eleven police cruisers and sheriff vehicles, construction of the animal center's cat room, construction of a road salt storage building, and 65 voting machines.

Additional information on the County's capital assets can be found in Note 5 of this report.

**Table 3  
Campbell County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	2006	2005	2006	2005	2006	2005
Infrastructure Assets	\$14,728,312	\$14,714,896	\$ -	\$ -	\$14,728,312	\$14,714,896
Land	2,857,598	2,857,598	446,451	446,451	3,304,049	3,304,049
Bldgs. & Improvmts.	11,390,889	9,510,112	888,182	980,535	12,279,071	10,490,647
Other Equip.	1,007,803	838,136	191,546	191,261	1,199,349	1,029,397
Vehicles & Equip.	808,798	706,773	-	-	808,798	706,773
	<u>\$30,793,400</u>	<u>\$28,627,515</u>	<u>\$1,526,179</u>	<u>\$1,618,247</u>	<u>\$32,319,579</u>	<u>\$30,245,762</u>

*Long-Term Debt.* At the end of the 2006 fiscal year, Campbell County had total long-term debt outstanding of \$18,806,203. The amount of this debt due within the next year is \$1,213,166 and \$17,593,037 is due in subsequent years. This debt is for the district and circuit court facilities, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 9 of the notes to the financial statements.

**Campbell County  
Management's Discussion and Analysis  
June 30, 2006**

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2007 fiscal year budget:

- The 2007 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- The increasing cost of housing prisoners in the Campbell County Detention Center continues to be a drain on the overall budget. The County is in the midst of a jail renovation/construction phase which will significantly increase the capacity of the jail. These changes will also improve operating efficiency and improve revenues from jail operations. In addition, Campbell County, along with most of the other counties in Kentucky, continues to seek legislative help in dealing with the financial burden of housing inmates.

**Requests for Information**

This financial report is designed to provide a general overview of Campbell County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 24 West 4<sup>th</sup> St., Newport, KY 41071.

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**CAMPBELL COUNTY  
STATEMENT OF NET ASSETS**

**June 30, 2006**



**CAMPBELL COUNTY**  
**STATEMENT OF NET ASSETS**

**June 30, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 19,140,359	\$ 140,800	\$ 19,281,159
Accounts Receivable	3,729,030	9,864	3,738,894
Prepaid Expenses	2,100	14,007	16,107
Notes/Capital Lease Receivable			
Due Within One Year	303,810	-	303,810
Internal Receivable	95,000	-	95,000
Total Current Assets	<u>23,270,299</u>	<u>164,671</u>	<u>23,434,970</u>
Noncurrent Assets:			
Notes/Capital Lease Receivable			
Due After One Year	688,676	-	688,676
Bond Issuance Costs, Net	107,097	-	107,097
Discount on Bond, Net	194,693	-	194,693
Tenant Deposits Held in Trust	-	20,975	20,975
Escrow Deposits	-	14,458	14,458
Residual Receipts	-	141,773	141,773
Replacement Reserve	-	17,763	17,763
Capital Assets - Net of Accumulated Depreciation			-
Land	2,857,598	446,451	3,304,049
Land Improvements	263,566	487,110	750,676
Construction in Progress	1,296,989	-	1,296,989
Buildings	9,830,334	401,072	10,231,406
Portable Building Equipment	-	60,906	60,906
Equipment for Tenant Use	-	15,952	15,952
Furnishings	-	11,834	11,834
Office Furniture and Equipment	-	1,215	1,215
Maintenance Equipment	-	68	68
Golf Equipment	-	90,886	90,886
Clubhouse Furniture and Fixtures	-	10,685	10,685
Other Equipment	992,570	-	992,570
Furniture and Fixtures	15,233	-	15,233
Vehicles and Equipment	808,798	-	808,798
Infrastructure Assets - Net of Accumulated Depreciation	<u>14,728,312</u>	<u>-</u>	<u>14,728,312</u>
Total Noncurrent Assets	<u>31,783,866</u>	<u>1,721,148</u>	<u>33,505,014</u>
Total Assets	<u>55,054,165</u>	<u>1,885,819</u>	<u>56,939,984</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**  
**(Continued)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 1,012,083	\$ 27,721	\$ 1,039,804
Accrued Salaries and Payroll Taxes	149,062	30,274	179,336
Compensated Absences	14,408	-	14,408
Accounts Payable - Project Improvement	-	71,930	71,930
Internal Payable	-	95,000	95,000
Sales Tax Payable	-	1,950	1,950
Accrued Interest	-	20,000	20,000
Financing Obligations:			
Due Within One Year	349,155	99,011	448,166
Bonds Payable:			
Due Within One Year	765,000	-	765,000
Total Current Liabilities	<u>2,289,708</u>	<u>345,886</u>	<u>2,635,594</u>
Noncurrent Liabilities:			
Tenant Security Deposits	-	20,975	20,975
Flexible Subsidy Loan Payable	-	151,464	151,464
Financing Obligations:			
Due in More than One Year	361,773	246,264	608,037
Bonds Payable:			
Due in More than One Year	16,985,000	-	16,985,000
Compensated Absences	34,550	-	34,550
Total Noncurrent Liabilities	<u>17,381,323</u>	<u>418,703</u>	<u>17,800,026</u>
Total Liabilities	<u>19,671,031</u>	<u>764,589</u>	<u>20,435,620</u>
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	16,932,472	1,029,440	17,961,912
Restricted	-	173,994	173,994
Unrestricted	18,450,662	(82,204)	18,368,458
Total Net Assets	<u>\$ 35,383,134</u>	<u>\$ 1,121,230</u>	<u>\$ 36,504,364</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2006**

**CAMPBELL COUNTY  
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2006**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 12,347,792	\$ 278,313	\$ 367,405	\$ 374,045
Protection to Persons and Property	6,032,680	1,629,248	1,086,446	-
General Health and Sanitation	388,445	33,954	-	-
Social Services	3,101,862	-	4,128,943	-
Recreation and Culture	453,727	12,850	-	-
Roads	2,014,894	-	737,212	719,808
Bus Service	437,270	-	380,530	-
Debt Service	597,040	-	-	-
Capital Projects	84,668	-	-	-
Total Governmental Activities	25,458,378	1,954,365	6,700,536	1,093,853
Business-type Activities:				
Lakeside Terrace Apartments	322,919	404,644	-	-
A.J. Jolly Park	760,406	668,314	-	-
Jail Canteen	71,263	76,453	-	-
Total Business-type Activities	1,154,588	1,149,411	-	-
Total	\$ 26,612,966	\$ 3,103,776	\$ 6,700,536	\$ 1,093,853

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes and Licenses  
Occupational Taxes  
Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (11,328,029)	\$ -	\$ (11,328,029)
(3,316,986)	-	(3,316,986)
(354,491)	-	(354,491)
1,027,081	-	1,027,081
(440,877)	-	(440,877)
(557,874)	-	(557,874)
(56,740)	-	(56,740)
(597,040)	-	(597,040)
(84,668)	-	(84,668)
<u>(15,709,624)</u>	<u>-</u>	<u>(15,709,624)</u>
-	81,725	81,725
-	(92,092)	(92,092)
-	5,190	5,190
<u>-</u>	<u>(5,177)</u>	<u>(5,177)</u>
<u>\$ (15,709,624)</u>	<u>\$ (5,177)</u>	<u>\$ (15,714,801)</u>
4,155,924	-	4,155,924
418,470	-	418,470
670,459	-	670,459
7,872,812	-	7,872,812
2,511,429	-	2,511,429
722,955	-	722,955
394,903	2,543	397,446
853,293	-	853,293
35,914	(35,914)	-
<u>17,636,159</u>	<u>(33,371)</u>	<u>17,602,788</u>
<u>1,926,535</u>	<u>(38,548)</u>	<u>1,887,987</u>
<u>33,456,599</u>	<u>1,159,778</u>	<u>34,616,377</u>
<u>\$ 35,383,134</u>	<u>\$ 1,121,230</u>	<u>\$ 36,504,364</u>

The accompanying notes are an integral part of the financial statements.

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**CAMPBELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2006**

**CAMPBELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>(TANK) Payroll Tax Fund</b>	<b>General Obligation Bond/Construction Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,143,272	\$ 326,390	\$ 104,350	\$ 2,928,231	\$ 7,932,897
Due from Other Funds	95,000	-	-	-	-
Accounts Rec - Taxes	229,856	-	-	1,778,952	-
Accounts Rec - Excess Fees	377,459	-	-	-	-
Accounts Rec - Licenses & Permits	1,002	-	-	-	-
Accounts Rec - Intergov Rev.	80,046	245,468	415,635	-	-
Accounts Rec- Charges for Services	-	-	20,659	-	-
Accounts Rec - Miscellaneous	150,435	1,844	9,568	-	-
Accounts Rec - HUD	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Total Assets	<u>7,077,070</u>	<u>573,702</u>	<u>550,212</u>	<u>4,707,183</u>	<u>7,932,897</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	108,368	53,375	130,353	-	623,925
Accrued Salaries and Payroll Taxes	83,903	15,876	44,469	-	-
Deferred Revenue - Delinquent Taxes	23,400	-	-	-	-
Compensated Absences	-	-	-	-	-
Total Liabilities	<u>215,671</u>	<u>69,251</u>	<u>174,822</u>	<u>-</u>	<u>623,925</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	890	-	-	-	6,434,929
TANK Contribution	-	-	-	936,738	-
Unreserved:					
General Fund	6,860,509	-	-	-	-
Special Revenue Funds	-	504,451	375,390	3,770,445	-
Capital Projects Fund	-	-	-	-	-
Debt Service Funds	-	-	-	-	874,043
Total Fund Balances	<u>6,861,399</u>	<u>504,451</u>	<u>375,390</u>	<u>4,707,183</u>	<u>7,308,972</u>
Total Liabilities and Fund Balances	<u>\$ 7,077,070</u>	<u>\$ 573,702</u>	<u>\$ 550,212</u>	<u>\$ 4,707,183</u>	<u>\$ 7,932,897</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2006**  
**(Continued)**

<b>Housing Choice Voucher Program</b>	<b>Public Properties Corporation Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 300,622	\$ 483,478	\$ 921,119	\$ 19,140,359
-	-	-	95,000
-	-	296,650	2,305,458
-	-	-	377,459
-	-	-	1,002
-	-	20,368	761,517
-	-	-	20,659
-	-	-	161,847
101,088	-	-	101,088
2,100	-	-	2,100
<u>403,810</u>	<u>483,478</u>	<u>1,238,137</u>	<u>22,966,489</u>
752	-	95,310	1,012,083
3,003	-	1,811	149,062
-	-	-	23,400
14,408	-	-	14,408
<u>18,163</u>	<u>-</u>	<u>97,121</u>	<u>1,198,953</u>
-	-	81,564	6,517,383
-	-	-	936,738
-	-	-	6,860,509
385,647	-	1,058,589	6,094,522
-	-	863	863
-	483,478	-	1,357,521
<u>385,647</u>	<u>483,478</u>	<u>1,141,016</u>	<u>21,767,536</u>
<u>\$ 403,810</u>	<u>\$ 483,478</u>	<u>\$ 1,238,137</u>	<u>\$ 22,966,489</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2006**  
**(Continued)**

**Reconciliation to Statement of Net Assets:**

Total Fund Balances	\$ 21,767,536
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Certain receivables reported in governmental activities are not financial resources and therefore are not reported in the funds	
Notes Receivable: One Year	303,810
Notes Receivable: More than One Year	688,676
Certain revenues are earned but not available, and therefore, are deferred in the funds	
Deferred Revenue - Delinquent Taxes	23,400
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	56,571,454
Accumulated Depreciation	(25,778,054)
Bond Issuance Costs Reported in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds	107,097
Discount on Bond Reported in Governmental Activities Is Not Financial Resource	
And Therefore Is Not Reported in the Funds	194,693
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Due within One Year - Bonds, Notes, and Other Principal Payments	(1,114,155)
Due in More than One Year - Bonds, Notes, and Other Principal Payments	(17,346,773)
Compensated Absences	(34,550)
Net Assets Of Governmental Activities	<u>\$ 35,383,134</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2006**

**CAMPBELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>(TANK) Payroll Tax Fund</b>
<b>REVENUES</b>				
Taxes	\$ 7,779,611	\$ -	\$ -	\$ 6,748,180
Excess Fees	722,955	-	-	-
Licenses and Permits	228,369	17	-	-
Intergovernmental	1,179,970	1,438,077	1,907,805	380,530
Charges for Services	25,965	-	182,672	-
Miscellaneous	1,315,693	16,119	138,362	-
Interest	170,347	8,450	4,283	99,464
Total Revenues	<u>11,422,910</u>	<u>1,462,663</u>	<u>2,233,122</u>	<u>7,228,174</u>
<b>EXPENDITURES</b>				
General Government	3,344,473	-	-	3,619,958
Protection to Persons and Property	2,334,599	-	3,266,863	-
General Health and Sanitation	345,289	-	-	-
Social Services	130,230	-	-	-
Recreation and Culture	320,018	-	-	-
Roads	-	2,025,838	-	-
Bus Service	-	-	-	437,270
Debt Service	340,070	93,390	196,703	-
Bond Issuance Costs	-	-	-	-
Capital Projects	30,063	41,489	-	-
Administration	2,611,626	297,732	816,602	4,949
Total Expenditures	<u>9,456,368</u>	<u>2,458,449</u>	<u>4,280,168</u>	<u>4,062,177</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,966,542</u>	<u>(995,786)</u>	<u>(2,047,046)</u>	<u>3,165,997</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Bond Issue	-	-	-	-
Bond Discount	-	-	-	-
Transfers From Other Funds	7,313,977	1,200,000	2,307,432	-
Transfers To Other Funds	(4,063,680)	-	(4,500)	(3,650,000)
Total Other Financing Sources (Uses)	<u>3,250,297</u>	<u>1,200,000</u>	<u>2,302,932</u>	<u>(3,650,000)</u>
Net Change in Fund Balances	5,216,839	204,214	255,886	(484,003)
Fund Balances - Beginning	1,644,560	300,237	119,504	5,191,186
Fund Balances - Ending	<u>\$ 6,861,399</u>	<u>\$ 504,451</u>	<u>\$ 375,390</u>	<u>\$ 4,707,183</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>General Obligation Bond/Construction Fund</b>	<b>Housing Choice Voucher Program</b>	<b>Public Properties Corporation Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 1,124,632	\$ 15,652,423
-	-	-	-	722,955
-	-	-	-	228,386
-	3,374,281	181,907	215,967	8,678,537
-	-	-	446	209,083
-	-	4,800	42,166	1,517,140
35,231	8,269	13,582	55,278	394,904
35,231	3,382,550	200,289	1,438,489	27,403,428
-	401,232	-	1,004,039	8,369,702
-	-	-	1,250	5,602,712
-	-	-	-	345,289
-	2,772,994	-	149,998	3,053,222
-	-	-	-	320,018
-	-	-	5,606	2,031,444
-	-	-	-	437,270
-	-	498,503	13,943	1,142,609
107,556	-	-	-	107,556
1,341,446	-	-	1,696,394	3,109,392
-	-	9,354	17,251	3,757,514
1,449,002	3,174,226	507,857	2,888,481	28,276,728
(1,413,771)	208,324	(307,568)	(1,449,992)	(873,300)
13,150,000	-	-	-	13,150,000
(195,528)	-	-	-	(195,528)
511,598	-	323,510	986,529	12,643,046
(4,743,327)	-	-	(145,625)	(12,607,132)
8,722,743	-	323,510	840,904	12,990,386
7,308,972	208,324	15,942	(609,088)	12,117,086
-	177,323	467,536	1,750,104	9,650,450
\$ 7,308,972	\$ 385,647	\$ 483,478	\$ 1,141,016	\$ 21,767,536

The accompanying notes are an integral part of the financial statements.

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**CAMPBELL COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2006**



**CAMPBELL COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2006**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds \$ 12,117,086

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Buildings, equipment, and other depreciable assets	3,024,724
Infrastructure	1,256,027
Depreciation expense	(2,114,866)

Capital Contribution to Dispatch	(218,771)
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Certain revenues are recorded in the funds, however, they decrease liabilities at the government-wide level and are not reported on the Statement of Activities	(99,917)
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Certain expenditures are reported in the funds; however, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities

Compensated absence payments	628
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Deferred revenue is reported as a liability in the fund because it is earned but not available, however, it is reported as a revenue on the Statement of Activities	(23,329)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond proceeds	(13,150,000)
Repayment of long term debt principal	833,164
Deferred discount and issue costs	303,084
Amortization of bond issuance costs and bond discount	(1,295)

Change in Net Assets of Governmental Activities	\$ 1,926,535
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**CAMPBELL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**

**June 30, 2006**



**CAMPBELL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**

**June 30, 2006**

**Business-Type Activities - Enterprise Funds**

	<b>Lakeside Terrace Apartments</b>	<b>A.J. Jolly Park</b>	<b>Jail Canteen Fund</b>	<b>Total</b>
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 108,600	\$ 28,558	\$ 3,642	\$ 140,800
Accounts Receivable	-	-	9,864	9,864
Prepaid Expenses	7,235	6,772	-	14,007
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	115,835	35,330	13,506	164,671
	<hr/>	<hr/>	<hr/>	<hr/>
Noncurrent Assets:				
Tenant Deposits Held in Trust	20,975	-	-	20,975
Escrow Deposits	14,458	-	-	14,458
Residual Receipts	141,773	-	-	141,773
Replacement Reserve	17,763	-	-	17,763
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Deposits	194,969	-	-	194,969
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets:				
Land	268,340	446,451	-	714,791
Land Improvements	-	688,820	-	688,820
Buildings	1,654,586	123,240	-	1,777,826
Building Equipment - Portable	86,587	-	-	86,587
Equipment for Tenant Use	77,843	-	-	77,843
Furnishings	44,727	-	-	44,727
Office Furniture and Equipment	8,229	-	-	8,229
Clubhouse Furniture and Fixtures	-	94,708	-	94,708
Maintenance Equipment	6,756	-	-	6,756
Golf Equipment	-	562,040	-	562,040
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets	2,147,068	1,915,259	-	4,062,327
	<hr/>	<hr/>	<hr/>	<hr/>
Less Accumulated Depreciation	(1,422,145)	(1,114,003)	-	(2,536,148)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Capital Assets	724,923	801,256	-	1,526,179
	<hr/>	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	919,892	801,256	-	1,721,148
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	1,035,727	836,586	13,506	1,885,819
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
**June 30, 2006**  
**(Continued)**

**Business-Type Activities - Enterprise Funds**

	<b>Lakeside Terrace Apartments</b>	<b>A.J. Jolly Park</b>	<b>Jail Canteen Fund</b>	<b>Total</b>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	\$ 15,011	\$ 9,778	\$ 2,932	\$ 27,721
Accounts Payable - Project Improvement	71,930	-	-	71,930
Due to Other Funds	-	95,000	-	95,000
Current Portion of Mortgage Payable	99,011	-	-	99,011
Sales Tax Payable	-	1,950	-	1,950
Accrued Payroll and Taxes	5,472	24,721	81	30,274
Accrued Interest	20,000	-	-	20,000
Total Current Liabilities	211,424	131,449	3,013	345,886
Noncurrent Liabilities				
Tenant Security Deposits	20,975	-	-	20,975
Mortgage Payable, Less Current Portion	246,264	-	-	246,264
Flexible Subsidy Loan Payable	151,464	-	-	151,464
Total Noncurrent Liabilities	418,703	-	-	418,703
Total Liabilities	630,127	131,449	3,013	764,589
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	228,184	801,256	-	1,029,440
Restricted	173,994	-	-	173,994
Unrestricted	3,422	(96,119)	10,493	(82,204)
Total Net Assets	\$ 405,600	\$ 705,137	\$ 10,493	\$ 1,121,230

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND**

**For The Year Ended June 30, 2006**



**CAMPBELL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUND**

**For The Year Ended June 30, 2006**

**Business-Type Activities - Enterprise Funds**

	<b>Lakeside Terrace Apartments</b>	<b>A.J. Jolly Park</b>	<b>Jail Canteen Fund</b>	<b>Total</b>
<b>Operating Revenues</b>				
Rent Revenue - Gross Potential	\$ 279,537	\$ -	\$ -	\$ 279,537
Tenant Assistance Payments	77,158	-	-	77,158
Total Potential Rent Revenue	356,695	-	-	356,695
Vacancies - Apartments	(4,500)	-	-	(4,500)
Net Rental Revenue	352,195	-	-	352,195
Golf	-	457,364	-	457,364
Rentals - Power Carts	-	196,172	-	196,172
Rentals - Miscellaneous	-	715	-	715
Concesssion Commissions	-	11,960	-	11,960
Miscellaneous Revenue	-	2,103	76,453	78,556
Total Operating Revenues	352,195	668,314	76,453	1,096,962
Less:				
Rent Expense - Power Carts	-	47,852	-	47,852
Gross Profit on Operating Revenues	352,195	620,462	76,453	1,049,110
<b>Operating Expenses</b>				
Protection to Persons and Property	-	-	69,878	69,878
Golf	-	472,917	-	472,917
Clubhouse	-	185,395	-	185,395
Administrative	68,974	53,891	1,385	124,250
Depreciation	64,052	-	-	64,052
Utilities	85,309	-	-	85,309
Operating and Maintenance Expense	69,238	-	-	69,238
Taxes and Insurance	31,524	-	-	31,524
Financial Expense	3,822	-	-	3,822
Total Operating Expenses	322,919	712,203	71,263	1,106,385
Operating Income (Loss)	29,276	(91,741)	5,190	(57,275)

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUND**  
**For The Year Ended June 30, 2006**  
**(Continued)**

**Business-Type Activities - Enterprise Funds**

	<b><u>Lakeside Terrace Apartments</u></b>	<b><u>A.J. Jolly Park</u></b>	<b><u>Jail Canteen Fund</u></b>	<b><u>Total</u></b>
<b>Nonoperating Revenues (Expenses)</b>				
Revenue from Investments - Project Operations	\$ 1,085	\$ -	\$ -	\$ 1,085
Revenue from Investments - Reserve for Replacements	846	-	-	846
Total Financial Revenue	<u>1,931</u>	<u>-</u>	<u>-</u>	<u>1,931</u>
Interest Reduction Payments Revenue	48,849	-	-	48,849
Laundry and Vending Revenue	3,600	-	-	3,600
Total Other Revenue	<u>52,449</u>	<u>-</u>	<u>-</u>	<u>52,449</u>
Interest Income	<u>-</u>	<u>377</u>	<u>235</u>	<u>612</u>
Total Nonoperating Revenues (Expenses)	<u>54,380</u>	<u>377</u>	<u>235</u>	<u>54,992</u>
Transfer Out	-	(36,265)	-	(36,265)
Change In Net Assets	83,656	(127,629)	5,425	(38,548)
Total Net Assets - Beginning	<u>321,944</u>	<u>832,766</u>	<u>5,068</u>	<u>1,159,778</u>
Total Net Assets - Ending	<u>\$ 405,600</u>	<u>\$ 705,137</u>	<u>\$ 10,493</u>	<u>\$ 1,121,230</u>

The accompanying notes are an integral part of the financial statements.

**CAMBPELL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**For The Year Ended June 30, 2006**



**CAMPBELL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**For The Year Ended June 30, 2006**

	<b>Lakeside Terrace Apartments</b>	<b>A.J. Jolly Park</b>	<b>Jail Canteen Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>				
Receipts from Green Fees	\$ -	\$ 457,364	\$ -	\$ 457,364
Rental for Golf Carts	-	196,172	-	196,172
Miscellaneous Rentals	-	715	-	715
Rental Receipts	353,565	-	-	353,565
Laundry and Vending Revenue	3,600	-	-	3,600
Excess Rent Retained by Project	140	-	-	140
Interest Reduction Payments Revenue	48,849	-	-	48,849
Other Revenue	-	11,960	-	11,960
Miscellaneous Revenue	-	2,103	73,567	75,670
Cash Payments to Employees	(99,609)	(433,687)	(1,385)	(534,681)
Cash Payments to Suppliers	(159,632)	(284,983)	(69,835)	(514,450)
Net Cash Provided (Used) By Operating Activities	<u>146,913</u>	<u>(50,356)</u>	<u>2,347</u>	<u>98,904</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(8,403)	(25,530)	-	(33,933)
Mortgage Principal Payments	(90,279)	-	-	(90,279)
Net Cash Used By Capital and Related Financing Activities	<u>(98,682)</u>	<u>(25,530)</u>	<u>-</u>	<u>(124,212)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Transfers In		95,000		95,000
Transfers Out	-	(36,265)	-	(36,265)
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>-</u>	<u>58,735</u>	<u>-</u>	<u>58,735</u>
<b>Cash Flows From Investing Activities</b>				
Interest Earned	1,791	377	235	2,403
Net Deposits to Reserve for Replacements Account	(8,829)	-	-	(8,829)
Net Deposits to Mortgage Escrow Account	6,404	-	-	6,404
Net Deposits to Residual Receipts Account	(15,401)	-	-	(15,401)
Net Cash (Used) Provided By Investing Activities	<u>(16,035)</u>	<u>377</u>	<u>235</u>	<u>(15,423)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	32,196	(16,774)	2,582	18,004
Cash and Cash Equivalents - July 1, 2005	<u>76,404</u>	<u>45,332</u>	<u>1,060</u>	<u>122,796</u>
Cash and Cash Equivalents - June 30, 2006	<u>\$ 108,600</u>	<u>\$ 28,558</u>	<u>\$ 3,642</u>	<u>\$ 140,800</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>Lakeside Terrace Apartments</b>	<b>A.J. Jolly Park</b>	<b>Jail Canteen Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 29,276	\$ (91,741)	\$ 5,190	\$ (57,275)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation Expense	64,052	61,949	-	126,001
Other Revenue	52,589	-	-	52,589
Changes In:				
Accounts Receivable	1,370	-	(2,886)	(1,516)
Miscellaneous Prepaid Expenses	746	-	-	746
Accounts Payable	224	(5,028)	882	(3,922)
Sales Tax Payable	-	(64)	-	(64)
Accrued Interest	1,515	-	-	1,515
Accrued Payroll and Taxes	(2,859)	(15,472)	(839)	(19,170)
Net Cash Provided (Used) By Operating Activities	<u>\$ 146,913</u>	<u>\$ (50,356)</u>	<u>\$ 2,347</u>	<u>\$ 98,904</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS**

**June 30, 2006**



**CAMPBELL COUNTY  
STATEMENT OF FIDUCIARY FUND NET ASSETS**

**June 30, 2006**

	<u><b>Agency Funds</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	<u>\$    93,658</u>
Total Assets	<u><u>93,658</u></u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>93,658</u>
Total Liabilities	<u><u>\$    93,658</u></u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA.)

**B. Reporting Entity**

For financial reporting purposes, the Campbell County Fiscal Court includes the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

*Campbell County Fiscal Court Housing Voucher Department Housing Choice Voucher Program:*

The Campbell County Fiscal Court operates the Housing Voucher Department Housing Choice Voucher Program. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development. This component unit is blended within the financial statements of the County.

*Campbell County Public Properties Corporation:*

The Board of Directors of the Campbell County Public Properties Corporation is made up entirely of the members of the Campbell County Fiscal Court. The Corporation is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Campbell County Fiscal Court. The Fiscal Court has access to the Corporation's resources and is legally obligated to finance the debts or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the County.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

*Lakeside Terrace Apartments HUD Project No. 083-44012-236:*

The Project is a 96-unit apartment complex for the elderly located in Highland Heights, Kentucky. The project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan. Legal title to the project is held by the Campbell County Public Properties Corporation, a nonprofit corporation. This component unit is blended within the financial statements of the County.

*A.J. Jolly Park:*

The activities of A.J. Jolly Park (an agency of the Campbell County Fiscal Court) are accounted for using the enterprise fund principle. This reported method was adopted to account for the Park's operations in a manner similar to private business enterprises. The major portion of land on which the Park is operated is owned by the Campbell County Public Parks Corporation, which used two related bond issues to acquire it. Once the bonds are retired, the Public Parks Corporation will transfer title of the property to the County. This component unit is blended within the financial statements of the County.

**C. Campbell County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Campbell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Campbell County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of inter-fund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

A significant feature of the government-wide Statement of Activities is the presentation of each program's net cost. GAAP requires the reporting of a program's net cost to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units. Net cost is obtained by subtracting program expenses from program revenues. Program expenses are those costs attributable to a particular function including certain indirect costs. GAAP permits both direct and indirect program expenses to be presented together in an "Expenses" column. Therefore, indirect expenses are not specifically identified with individual functions and activities.

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The Statement of Activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The County generally includes those revenues to be received up to 90 days following the end of the accounting period. Revenues expected to be collected after 90 days beyond the end of the accounting period are considered unavailable and are reported as deferred revenues. Deferred revenues also include amounts received but unearned as of June 30. In the governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition, principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

The primary government reports the following major governmental funds:

*General Fund* - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

*Road Fund* - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

*Jail Fund* - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

*(TANK) Payroll Tax Fund* – The purpose of this fund is to account for occupational tax collections, which were originally approved by the voters as Section 12 of Ordinance R-34-78 and amended with Ordinance O-26-99. All money derived under the provisions of this Ordinance are placed to the credit of:

- A) The General Revenue Fund of the County of Campbell and shall be used and expended in defraying the current general and incidental expenses of the County
- B) To appropriate and pay over to the Transit Authority of Northern Kentucky capital and operating funds as provided in K.R.S. Chapter 96A;
- C) For traffic improvement and mass transportation related projects as authorized by the Fiscal Court.

*General Obligation Bond/Construction Fund* – The purpose of this fund is to account for the General Obligation Public Project Bonds, Series 2006 issued in June 2006. This bond issue is being used for the addition to the jail. The primary source of revenue for this fund is the proceeds from the bond issue.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

*Campbell County Housing Department Housing Choice Voucher Program* - The Campbell County Housing Choice Voucher Program is operated by the Campbell County Fiscal Court. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate this program are obtained principally from the U.S. Department of Housing and Urban Development.

*Campbell County Public Properties Corporation* - This Corporation was created solely for the benefit of the Fiscal Court to act as an agent in the acquisition and financing of any public project. It is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Senior Citizens Tax Fund, Mental Health Tax Fund, Developer Road Escrow Fund, and the Capital Projects Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, (TANK) Payroll Tax Fund, Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, Local Government Economic Assistance Fund (LGEA), Senior Citizen Tax Fund, Mental Health Tax Fund, and Developer Road Escrow Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Funds:**

The Campbell County Public Properties Corporation is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The General Obligation Bond/Construction Fund is used to account for the accumulation of resources for, and the payment of long-term debt principal and interest on the Campbell County General Obligation Public Projects Bonds, Series 2006.

**Proprietary Funds**

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of cash flows. On the Statement of Revenues, Expenses and Changes in Net Assets, the term "expenses" (not "expenditures" as in the governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund, Lakeside Terrace Apartments and A.J. Jolly Park. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

*Lakeside Terrace Apartments HUD Project No. 083-44012-236*

The Project is a 96-unit apartment project for the elderly located in Highland Heights, Kentucky. The Project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan.

Legal title to the Project is held by Campbell County Public Properties Corporation, a nonprofit corporation. The accompanying financial statements are those of the Project and do not represent the financial statements of Campbell County Public Properties Corporation. The Project is a component unit of the Campbell County Fiscal Court.

The Project is subject to Section 8 Housing Assistance Payments agreements with U.S. Department of Housing and Urban Development (HUD), and a significant portion of the Project's rental income is received from HUD. The Project's non-major programs are its rent subsidy and Flexible Subsidy Loan.

*A.J. Jolly Park*

The A.J. Jolly Park is a component unit enterprise fund of the Campbell County Fiscal Court. The Park is the operator of the A.J. Jolly Golf Course.

*Jail Canteen Fund*

Inmates at the Campbell County Jail are set up with an account upon entry. Inmates are permitted to order items, such as snacks, and use money from their account to pay. This fund's purpose is to record the profits from this operation. The profits are used to benefit the prisoners.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The agency funds of Campbell County are the Jail Inmate Account, the Employee Fund Account, and the Performance Bond Account.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are reported at fair market value.

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated assets are recorded at fair market value at the time of donation.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-20
Buildings and Building Improvements	\$ 5,000	25-40
Machinery and Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	5-10
Utility Systems	\$ 5,000	25-40
Infrastructure	\$ 5,000	20-40

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations (Continued)**

Compensated Absences

The County's policies regarding vacation time do not permit an employee to accumulate vacation time. Although they earn time based on their years of service, they have until April of the following year to utilize all vacation time earned the previous year. However, upon termination of employment, employees do not receive pay for unused vacation time.

The County Police and the Road Department have a separate contract for sick leave. These employees earn 40 hours of sick leave per year. The entire 40 hours is given to them in January. If they are still employed by the Fiscal Court on December 31, they receive pay for their unused sick time the following January. If they are not employed on December 31, they do not get paid for their unused sick time.

The remaining Fiscal Court employees also receive 40 hours of sick leave in January; however, they do not get paid for their unused sick time.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

"Reserved for TANK (Transit Authority of Northern Kentucky) Contributions" is referring to the portion of the TANK payroll tax receivable (first quarter) which the Campbell County Fiscal Court has agreed to provide to TANK to provide transit service in Campbell County.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information (Continued)**

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted, because the Fiscal Court does not approve these expenses made from these funds. However, Campbell County has chosen to budget these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include payroll taxes.

In the fund financial statements, material receivables in the governmental funds include revenue accruals, such as, occupational taxes, grants, and other similar revenues since they are usually both measurable and available. Non-exchange transactions, collectible but not available, are deferred in the fund financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 90 days since they would be considered both measurable and available.

**K. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

**L. Deferred Revenue**

Deferred revenues are treated as liabilities in the financial statements until all requirements for revenue recognition are met.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The county does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (A). As of June 30, 2006, all deposits were covered by FDIC Insurance or a properly executed collateral security agreement.

**B. Investments**

At June 30, 2006, all of the county's investments were classified as cash and cash equivalents. These were collateralized by pledged securities held by the county's agent in the county's name, and therefore were not subject to custodial credit risk, except for the sweep investment account portion of the county's Payroll Tax Checking Account. This is considered an investment by the bank and is not collateralized by pledged securities. As of June 30, 2006, the amount of the sweep investment account that was exposed to custodial credit risk was \$1,819,519.

**Note 3. Operating Leases**

The fiscal court entered into a lease agreement for copiers to be used by various county departments. The total expense related to this lease was \$4,671 for the fiscal year ended June 30, 2006. The future minimum lease payments for these leases are as follows:

Governmental Activities	
Fiscal Year Ended	
June 30	Amount
2007	\$ 4,038
2008	4,406
2009	4,406
Total Minimum Lease Payments	<u>\$ 12,850</u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 3. Operating Leases (Continued)**

The Park entered into a three-year lease for golf carts effective April 2004 for a total rental of \$142,206. This replaced the previous lease for golf carts that expired in April 2004. Under the terms of the lease, the Park agreed to obtain an "all risk" property insurance policy covering its full replacement value. In addition, the Park is required to obtain public liability insurance naming the lessor as an additional insured. This lease has been renewed. The Park has entered into a three-year lease for golf carts effective September 2006 for a total rental of \$164,346. The terms noted above are the same for this new lease. Lease expense related to this lease was \$47,852 for the fiscal year ended June 30, 2006. The future minimum lease payments for these leases are as follows:

Business-Type Activities Fiscal Year Ended June 30		Amount
2007		\$ 23,478
2008		54,782
2009		54,782
2010		<u>31,304</u>
Total Minimum Lease Payments		<u>\$ 164,346</u>

**Note 4. Short Term Debt**

During the year, the County issued Tax and Revenue Anticipation Notes (TRAN) in the amount of \$750,000 for the purpose of providing cash flow needs in advance of receipt of tax revenues received. The TRAN was also repaid during the year from the general fund.

Additionally, during the year, the County entered into a short term agreement with a local bank for \$500,000 and an interest rate of 9.62% for the purpose of providing cash flow needs for construction at the jail until the proceeds from the new bond issue (Campbell County General Obligation Public Project Bonds, Series 2006) were received. These funds were repaid during the year from the general fund.

Short-Term debt activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Repayments	Ending Balance
TRAN	\$ -	\$ 750,000	\$ 750,000	\$ -
Bank	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$1,250,000</u>	<u>\$1,250,000</u>	<u>\$ -</u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,857,598	\$ -	\$ -	\$ 2,857,598
Construction In Progress	1,005,820	791,463	(500,294)	1,296,989
Total Capital Assets Not Being Depreciated	3,863,418	791,463	(500,294)	4,154,587
Capital Assets, Being Depreciated:				
Land Improvements	382,184	24,878	-	407,062
Buildings	11,637,064	1,934,223	-	13,571,287
Other Equipment	1,439,677	369,775	-	1,809,452
Furniture and Fixtures	106,963	-	-	106,963
Vehicles and Equipment	2,535,940	404,679	(165,474)	2,775,145
Infrastructure	32,490,931	1,256,027	-	33,746,958
Total Capital Assets Being Depreciated	48,592,759	3,989,582	(165,474)	52,416,867
Less Accumulated Depreciation For:				
Land Improvements	(113,205)	(30,291)	-	(143,496)
Buildings	(3,401,751)	(339,202)	-	(3,740,953)
Other Equipment	(626,573)	(190,309)	-	(816,882)
Furniture and Fixtures	(81,931)	(9,799)	-	(91,730)
Vehicles and Equipment	(1,829,167)	(302,654)	165,474	(1,966,347)
Infrastructure	(17,776,035)	(1,242,611)	-	(19,018,646)
Total Accumulated Depreciation	(23,828,662)	(2,114,866)	165,474	(25,778,054)
Total Capital Assets, Being Depreciated, Net	24,764,097	1,874,716	-	26,638,813
Governmental Activities Capital Assets, Net	\$ 28,627,515	\$ 2,666,179	\$ (500,294)	\$ 30,793,400

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 446,451	\$ -	\$ -	\$ 446,451
Land Improvements	268,340	-	-	268,340
Total Capital Assets Not Being Depreciated	714,791	-	-	714,791
Capital Assets, Being Depreciated:				
Land Improvements	688,820	-	-	688,820
Buildings	1,776,455	1,371	-	1,777,826
Portable Building Equipment	86,587	-	-	86,587
Equipment for Tenant Use	77,312	2,204	(1,673)	77,843
Furnishings	39,717	6,199	(1,189)	44,727
Office Furniture and Equipment	8,229	-	-	8,229
Maintenance Equipment	6,756	-	-	6,756
Clubhouse Furniture and Fixtures	92,998	1,710	-	94,708
Golf Equipment	544,746	22,449	(5,155)	562,040
Total Capital Assets Being Depreciated	3,321,620	33,933	(8,017)	3,347,536
Less Accumulated Depreciation For:				
Land Improvements	(427,706)	(42,344)	-	(470,050)
Buildings	(1,325,374)	(51,380)	-	(1,376,754)
Portable Building Equipment	(17,514)	(8,167)	-	(25,681)
Equipment for Tenant Use	(58,350)	(5,214)	1,673	(61,891)
Furnishings	(32,149)	(1,933)	1,189	(32,893)
Office Furniture and Equipment	(6,445)	(569)	-	(7,014)
Maintenance Equipment	(6,642)	(46)	-	(6,688)
Clubhouse Furniture and Fixtures	(81,758)	(2,265)	-	(84,023)
Golf Equipment	(462,226)	(14,083)	5,155	(471,154)
Total Accumulated Depreciation	(2,418,164)	(126,001)	8,017	(2,536,148)
Total Capital Assets, Being Depreciated, Net	903,456	(92,068)	-	811,388
Business-Type Activities Capital Assets, Net	\$ 1,618,247	\$ (92,068)	\$ -	\$ 1,526,179

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 219,281
Protection to Persons and Property	430,265
General Health and Sanitation	43,156
Social Services	48,640
Recreation and Culture	133,709
Roads, Including Depreciation of General Infrastructure Assets	<u>1,239,815</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,114,866</u>

Business-Type Activities

A.J. Jolly Park	\$ 61,949
Lakeside Terrace Apartments	<u>64,052</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 126,001</u>

**Note 6. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Campbell County Fiscal Court: Campbell County Consolidated Dispatch Board.

The audit of Campbell County Consolidated Dispatch Board can be obtained by writing the Board at 998 Monmouth Street, Newport, KY 41071-2115.

**Note 7. Note Receivable**

**Campbell County Consolidated Dispatch Board**

The Campbell County Consolidated Dispatch Board entered into a six-year note payable at 3.25% in the amount of \$1,250,000 in accordance with the Memorandum of Understanding (see note 9E) with the Campbell County Fiscal Court dated June 27, 2002. The repayment of the note began during fiscal year 2003. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Other Fees</u>	<u>Total</u>
2007	\$218,222	\$10,333	\$3,043	\$231,598
2008	<u>224,737</u>	<u>5,443</u>	<u>1,549</u>	<u>231,729</u>
	<u>\$442,959</u>	<u>\$15,776</u>	<u>\$4,592</u>	<u>\$463,327</u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 8. Capital Lease Receivable**

The Campbell County Extension District Board entered into a capital lease with the Campbell County Public Properties Corporation (CCPPC) on January 6, 1992 for construction of a building for housing the offices of the Extension District. The CCPPC agreed to provide adequate land for the facility as well as assume the responsibility for securing a qualified licensed architect who would design and oversee the complete construction of the project. The Extension District has full responsibility to pay the entire cost of the construction including that of securing financing for the professional expenses, bond expenses, and construction expenses. It was agreed that the Extension District would advance the CCPPC \$175,000 for initial expenses related to the construction and upon occupation of the building by the Extension District, a semi-annual rent obligation would be payable to the CCPPC. The sum payable to the CCPPC shall include all expenses on an amortized basis over the life of the bonds for all costs related to financing and all fees associated with the issuance of the bonds. The Extension District has been granted the option of purchasing the building, parking lot, and area required for ingress and egress from the CCPPC for \$1.00 plus the assumption of all indebtedness owed for the construction of the project, if any. This option expires within 30 years from the signing of the above contract.

The Extension District advanced the CCPPC an additional \$96,932 to cover construction costs in excess of that originally contemplated.

For financial statement purposes, this has been treated as a capital lease.

At June 30, 2006, the future minimum payments required under the lease agreement and the present value of minimum capital lease payments is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$55,000	\$17,212	\$72,212
2008	60,000	15,127	75,127
2009	65,000	12,797	77,797
2010	65,000	10,262	75,262
2011	70,000	7,527	77,527
Thereafter	<u>145,000</u>	<u>6,234</u>	<u>151,234</u>
	<u>\$460,000</u>	<u>\$69,159</u>	<u>\$529,159</u>

**Note 9. Long-term Debt**

**A. 2001 Refunding Bonds**

The Campbell County Fiscal Court issued as of July 1, 2001 \$2,520,000 General Project Refunding Bond, Series 2001, to refund Campbell, County Kentucky Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. In the 1992 series, a portion of the project was subleased by the County to the Campbell County Extension District Board pursuant to a sublease dated December 1, 1992 for automatically renewable annual periods through December 1, 2012. Payments to the County under the sublease are equal to the pro-rata portion of the lease payments to be made by the County, which are allocable to the portion of the project being subleased to the Extension District Board. The outstanding balance due to the Campbell County Fiscal Court from the Extension District Board as of June 30, 2006 was \$515,000.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**A. 2001 Refunding Bonds (Continued)**

The bonds mature in varying amounts from \$70,000 to \$170,000 from December 1, 2001 to December 1, 2022 at interest rates ranging from 3.20% to 5.00%

Bonds outstanding on June 30, 2006 were \$1,925,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 130,000	\$ 80,867
2008	135,000	76,064
2009	145,000	70,845
2010	150,000	65,090
2011	155,000	58,913
2012-2016	550,000	209,139
2017-2021	450,000	109,646
2022-2023	210,000	10,750
Totals	<u>\$ 1,925,000</u>	<u>\$ 681,314</u>

**B. First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 (Campbell County Public Properties Corporation)**

First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 were issued July 1, 1997 in the amount of \$3,650,000 for the purpose of refunding First Mortgage Revenue bonds (Jail Facilities Project) issued November 1, 1989. The bonds mature in varying amounts from \$95,000 to \$285,000 from November 1, 1997 through 2017. Interest is payable semiannually on May 1 and November 1 at rates from 4.70% to 4.80%. The bonds are secured by a foreclosable first mortgage lien on the jail property and A.J. Jolly Park and a pledge of revenue from both facilities. During the year ended June 30, 1998, the Campbell County Public Parks Corporation advanced A.J. Jolly Park \$466,200 to pay the cost of a new irrigation system. The amount of bonds assigned to the park and recreation improvements was \$1,665,000. Under the terms of the agreement, the Park is obligated to pay its proportionate part of the bonds and interest as they become due.

Bonds outstanding on June 30, 2006 were \$2,050,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 230,000	\$ 92,823
2008	245,000	81,481
2009	255,000	69,481
2010	265,000	57,000
2011	285,000	43,800
2012-2016	525,000	124,200
2017-2018	245,000	11,880
Totals	<u>\$ 2,050,000</u>	<u>\$ 480,665</u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**C. First Mortgage Refunding and Improvement Revenue Bonds, Series 1998 (Campbell County Public Properties Corporation)**

As of July 1, 1998, Campbell County Public Properties Corporation issued \$1,545,000 First Mortgage Refunding Revenue Bonds (Court Facilities Project), Series 1998. These bonds mature in varying amounts on August 1 of each year from 1999 through 2009. Proceeds of the bonds were issued principally to defease and discharge First Mortgage Revenue Bonds (District Court Building) dated February 1, 1991. Under this arrangement, the Corporation made provision for discharge of all bonds by depositing with the Trustee permissible investment obligations sufficient to pay all principal and interest requirements on the bonds to a permitted date of redemption, or to the date of maturity; consequently, the Corporation has no further liability for the bonds. Interest is payable semiannually on February 1 and August 1 at rates ranging from 4.00% to 4.30% and principal payments are due annually on August 1 of each year.

Bonds outstanding on June 30, 2006 were \$625,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 155,000	\$ 23,542
2008	165,000	16,662
2009	170,000	9,459
2010	<u>135,000</u>	<u>2,902</u>
Totals	<u>\$ 625,000</u>	<u>\$ 52,565</u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**D. General Obligation Public Project Bonds, Series 2006**

As of June 1, 2006, Campbell County, Kentucky issued \$13,150,000 General Obligation Public Project Bonds, Series 2006. These bonds mature in varying amounts (from \$250,000 to \$880,000) on December 1 of each year from 2006 through 2025. Proceeds of the bonds issued will be principally used for construction at the Campbell County Jail. Interest is payable semiannually on June 1 and December 1 at rates ranging from 4.00% to 4.38% and principal payments are due annually on December 1 of each year.

Bonds outstanding on June 30, 2006 were \$13,150,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 250,000	\$ 536,744
2008	520,000	521,344
2009	545,000	500,044
2010	565,000	477,844
2011	590,000	454,744
2012-2016	3,335,000	1,891,819
2017-2021	3,295,000	1,224,594
2022-2026	<u>4,050,000</u>	<u>453,835</u>
Totals	<u>\$ 13,150,000</u>	<u>\$ 6,060,967</u>

**E. Kentucky Association of Counties Leasing Trust**

The Campbell County Fiscal Court, the City of Fort Thomas, and the City of Newport entered into an inter-local agreement dated January 9, 2001, which created Campbell County Consolidated Dispatch Board (Note 6.) As indicated per this inter-local agreement, the Campbell County Fiscal Court shall make a one time contribution of cash in the amount of \$750,000, earmarked for capital equipment and development of the new communications system. Furthermore, the Fiscal Court shall make annual and recurring cash contributions to the Board, earmarked for general operational expenses, at the beginning of each fiscal year, commencing on the first year of dispatch service. The base amount for the initial fiscal year shall be \$200,000, which shall be adjusted each ensuing year by the percentage of increase/decrease in the cost-of-living index for the Greater Cincinnati SMSA area, as reported by the Bureau of Labor Statistics.

A memorandum of understanding was entered into by and between the Campbell County Fiscal Court and the Campbell County Consolidated Dispatch Board on June 27, 2002 implementing the following: The Campbell County Fiscal Court will enter into a six year lease with the Kentucky Association of Counties Lease Trust (KACoLT) in the sum of \$2,000,000 for the purpose of financing dispatch equipment for the Board. A total of \$1,250,000 of the principal amount will be made on behalf of the Campbell County Consolidated Dispatch Board, and a total of \$750,000 will be made on behalf of the County in meeting its obligation pursuant to the inter-local government agreement dated January 9, 2001. In addition, the Campbell County Fiscal Court shall be paid by the Campbell County Consolidated Dispatch Board a total of 62.50% of the annual lease payment less the credit of \$200,000 pursuant to the inter-local agreement. The outstanding balance due to the Campbell County Fiscal Court from the Campbell County Consolidated Dispatch Board was \$442,959.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**E. Kentucky Association of Counties Leasing Trust (Continued)**

On June 14, 2002, Campbell County Fiscal Court entered into a six-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of leasing dispatch equipment for the Campbell County Consolidated Dispatch Board. In June 2002, the first drawdown was made on this lease for the purchase of dispatch equipment and furniture. The remaining draw downs were made in the fiscal year ended June 2003.

Interest is paid on a monthly basis, and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2008, as shown in the following table.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>	<u>Scheduled Fees</u>
2006-2007	\$ 349,155	\$ 15,960	\$ 5,502
2007-2008	<u>361,773</u>	<u>8,138</u>	<u>2,802</u>
Totals	<u>\$ 710,928</u>	<u>\$ 24,098</u>	<u>\$ 8,304</u>

**F. Mortgage Payable (Lakeside Terrace Apartments)**

The mortgage payable as of June 30, 2006 represents a permanent building loan provided by HUD. The balance due as of June 30, 2006 was \$345,275. The monthly installments for principal and interest at June 30 are \$10,375 with a maturity date of February 1, 2010. Interest is being charged at 8.5%. The mortgage note is secured by the apartment project.

Maturities of the principal of the mortgage note are as follows:

<u>Business-Type Activities Fiscal Year Ended June 30,</u>	<u>Amount</u>
2007	\$ 99,011
2008	107,762
2009	117,288
2010	<u>21,214</u>
Totals	<u>\$ 345,275</u>

The fair value of the mortgage payable is estimated based on the current rates offered to the Project for debt of the same remaining maturities. At June 30, 2006, the fair value of the mortgage payable approximates the amount recorded in the financial statements.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**G. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation					
Public Refunding Bonds	\$ 2,055,000	\$ -	\$ 130,000	\$ 1,925,000	\$ 130,000
General Obligation					
Public Project Bonds	-	13,150,000	-	13,150,000	250,000
KACO Leasing Trust					
Financing Obligations	1,049,092	-	338,164	710,928	349,155
First Mortgage Refunding and Improvement Revenue					
Bond Series 1997	2,270,000	-	220,000	2,050,000	230,000
First Mortgage Refunding Revenue Bonds Series 1998	770,000	-	145,000	625,000	155,000
Governmental Activities Long-term Liabilities	<u>\$ 6,144,092</u>	<u>\$ 13,150,000</u>	<u>\$ 833,164</u>	<u>\$18,460,928</u>	<u>\$ 1,114,155</u>
<u>Business Type Activities:</u>					
Mortgage Payable	435,554	-	90,279	345,275	99,011
Total	<u>\$ 6,579,646</u>	<u>\$ 13,150,000</u>	<u>\$ 923,443</u>	<u>\$18,806,203</u>	<u>\$ 1,213,166</u>

**Note 10. Interest on Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$53,093 in interest on financing obligations and \$320,927 in interest on bonds and notes.

**Note 11. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 11. Employee Retirement System (Continued)**

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 12. Insurance**

For the fiscal year ended June 30, 2006, Campbell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 13. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year this infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. all infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded as actual historical cost.

**Note 14. Prior Period Adjustment**

The net assets as of July 1, 2006 have been restated to correct an error in recording the Jail Canteen Fund as a special revenue fund instead of an enterprise fund. The amount of the restatement was \$5,068. The change had no effect on the change in net assets for the year ended June 30, 2006.

**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2006**



**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**

**For The Year Ended June 30, 2006**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 7,149,200	\$ 7,149,200	\$ 7,733,610	\$ 584,410
Excess Fees	710,000	710,000	496,573	(213,427)
Licenses and Permits	221,600	221,600	227,367	5,767
Intergovernmental	1,204,000	1,204,000	1,308,099	104,099
Charges for Services	33,100	33,100	25,965	(7,135)
Miscellaneous	1,352,920	1,352,920	1,290,928	(61,992)
Interest	65,000	65,000	168,137	103,137
Total Revenues	<u>10,735,820</u>	<u>10,735,820</u>	<u>11,250,679</u>	<u>514,859</u>
<b>EXPENDITURES</b>				
General Government	3,657,980	3,780,955	3,456,519	324,436
Protection to Persons and Property	2,621,790	2,669,640	2,421,992	247,648
General Health and Sanitation	361,570	380,820	351,783	29,037
Social Services	135,150	138,450	134,547	3,903
Recreation and Culture	333,965	463,465	423,881	39,584
Debt Service	1,622,315	2,093,865	1,877,666	216,199
Capital Projects	250,000	150,000	30,063	119,937
Administration	3,325,080	7,105,735	2,615,674	4,490,061
Total Expenditures	<u>12,307,850</u>	<u>16,782,930</u>	<u>11,312,125</u>	<u>5,470,805</u>
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,572,030)</u>	<u>(6,047,110)</u>	<u>(61,446)</u>	<u>5,985,664</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	1,000,000	1,500,000	1,250,000	(250,000)
Transfers From Other Funds	2,255,650	7,802,410	7,313,977	(488,433)
Transfers To Other Funds	<u>(3,005,300)</u>	<u>(3,155,300)</u>	<u>(3,776,083)</u>	<u>(620,783)</u>
Total Other Financing Sources (Uses)	<u>250,350</u>	<u>6,147,110</u>	<u>4,787,894</u>	<u>(1,359,216)</u>
Net Changes in Fund Balance	(1,321,680)	100,000	4,726,448	4,626,448
Fund Balance - Beginning	<u>1,321,680</u>	<u>1,391,203</u>	<u>1,391,205</u>	<u>2</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 1,491,203</u>	<u>\$ 6,117,653</u>	<u>\$ 4,626,450</u>

**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses and Permits	\$ 100	\$ 100	\$ 17	\$ (83)
Intergovernmental	1,139,000	1,316,168	1,463,627	147,459
Miscellaneous	2,000	2,000	16,612	14,612
Interest	1,000	1,000	8,450	7,450
Total Revenues	1,142,100	1,319,268	1,488,706	169,438
<b>EXPENDITURES</b>				
Roads	2,052,035	2,224,103	1,984,559	239,544
Debt Service	94,300	94,300	93,390	910
Capital Projects	28,440	41,540	41,489	51
Administration	334,690	326,690	318,467	8,223
Total Expenditures	2,509,465	2,686,633	2,437,905	248,728
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,367,365)	(1,367,365)	(949,199)	418,166
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,300,000	1,367,365	1,200,000	(167,365)
Net Changes in Fund Balance	(67,365)	-	250,801	250,801
Fund Balance - Beginning	67,365	75,588	75,590	2
Fund Balance - Ending	\$ -	\$ 75,588	\$ 326,391	\$ 250,803

**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,880,610	\$ 1,880,610	\$ 1,647,933	\$ (232,677)
Charges for Services	261,500	261,500	176,945	(84,555)
Miscellaneous	120,500	120,500	136,856	16,356
Interest	1,000	1,000	4,283	3,283
Total Revenues	<u>2,263,610</u>	<u>2,263,610</u>	<u>1,966,017</u>	<u>(297,593)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	3,240,460	3,417,010	3,237,882	179,128
Debt Service	199,135	199,135	196,703	2,432
Administration	956,230	929,680	876,313	53,367
Total Expenditures	<u>4,395,825</u>	<u>4,545,825</u>	<u>4,310,898</u>	<u>234,927</u>
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,132,215)</u>	<u>(2,282,215)</u>	<u>(2,344,881)</u>	<u>(62,666)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	2,047,300	2,282,215	2,307,432	25,217
Transfers To Other Funds	-	-	(4,500)	(4,500)
Total Other Financing Sources (Uses)	<u>2,047,300</u>	<u>2,282,215</u>	<u>2,302,932</u>	<u>20,717</u>
Net Changes in Fund Balance	(84,915)	-	(41,949)	(41,949)
Fund Balance - Beginning	<u>84,915</u>	<u>145,542</u>	<u>146,298</u>	<u>756</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 145,542</u>	<u>\$ 104,349</u>	<u>\$ (41,193)</u>

**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>TANK FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 6,465,000	\$ 6,465,000	\$ 6,693,647	\$ 228,647
Intergovernmental	350,000	350,000	810,323	460,323
Interest	40,000	40,000	99,464	59,464
Total Revenues	6,855,000	6,855,000	7,603,434	748,434
<b>EXPENDITURES</b>				
General Government	4,626,670	4,626,670	3,619,958	1,006,712
Bus Services	493,900	493,900	437,270	56,630
Administration	305,500	305,500	4,949	300,551
Total Expenditures	5,426,070	5,426,070	4,062,177	1,363,893
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,428,930	1,428,930	3,541,257	2,112,327
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(3,435,000)	(1,428,930)	(3,650,000)	(2,221,070)
Net Changes in Fund Balances	(2,006,070)	-	(108,743)	(108,743)
Fund Balances - Beginning	2,006,070	3,036,974	3,036,974	-
Fund Balances - Ending	\$ -	\$ 3,036,974	\$ 2,928,231	\$ (108,743)

**CAMPBELL COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2006**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

In the required supplementary information, the budgetary comparison of the Housing Choice Voucher Program has not been included.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Budgetary Basis vs. GAAP**

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<b><u>Sources/Inflows of Resources</u></b>				
Actual Amount (budgetary basis)	\$ 11,250,679	\$ 1,488,706	\$ 1,966,017	\$ 7,603,434
Differences - budget to GAAP:				
The County budgets for revenues only to the extent they are expected to be received, rather than on the modified accrual basis.	<u>172,231</u>	<u>(26,043)</u>	<u>267,105</u>	<u>(375,260)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 11,422,910</u></u>	<u><u>\$ 1,462,663</u></u>	<u><u>\$ 2,233,122</u></u>	<u><u>\$ 7,228,174</u></u>
<b><u>Uses/Outflows of Resources</u></b>				
Actual Amount (budgetary basis)	\$ 11,312,125	\$ 2,437,905	\$ 4,310,898	\$ 4,062,177
Differences - budget to GAAP:				
The County budgets for claims only to the extent they are expected to be paid, rather than on the modified accrual basis.	<u>(1,855,757)</u>	<u>20,544</u>	<u>(30,730)</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 9,456,368</u></u>	<u><u>\$ 2,458,449</u></u>	<u><u>\$ 4,280,168</u></u>	<u><u>\$ 4,062,177</u></u>

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**CAMPBELL COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
Other Supplementary Information**

**June 30, 2006**

**CAMPBELL COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
Other Supplementary Information**

**June 30, 2006**

	<b>Speical Revenue Funds</b>				
	<b>LGEA Fund</b>	<b>Senior Citizen Tax Fund</b>	<b>Mental Health Tax Fund</b>	<b>Developer Road Escrow Fund</b>	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 19,931	\$ 252,412	\$ 429,292	\$ 137,057	
Accounts Rec - Taxes	-	98,890	197,760	-	
Accounts Rec - Intergovernmental	-	-	20,368	-	
Total Assets	<u>19,931</u>	<u>351,302</u>	<u>647,420</u>	<u>137,057</u>	.
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITES</b>					
Accounts Payable	-	22,134	73,176	-	
Accrued Salaries and Payroll Taxes	-	1,811	-	-	
Total Liabilities	<u>-</u>	<u>23,945</u>	<u>73,176</u>	<u>-</u>	.
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	-	-	-	-	
Unreserved:					
Special Revenue Funds	19,931	327,357	574,244	137,057	
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	.
Total Fund Balances	<u>19,931</u>	<u>327,357</u>	<u>574,244</u>	<u>137,057</u>	.
Total Liabilities and Fund Balances	<u>\$ 19,931</u>	<u>\$ 351,302</u>	<u>\$ 647,420</u>	<u>\$ 137,057</u>	.

**CAMPBELL COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**  
**June 30, 2006**  
**(Continued)**

<b>Capital Projects Fund</b>			
<b>Capital Projects Fund</b>		<b>Total Non-Major Governmental Funds</b>	
\$	82,427	\$	921,119
	-		296,650
	-		20,368
	82,427		1,238,137
	-		95,310
	-		1,811
	-		97,121
	81,564		81,564
	-		1,058,589
	863		863
	82,427		1,141,016
\$	82,427	\$	1,238,137

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**CAMPBELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**

**CAMPBELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2006**

	<b>Special Revenue Funds</b>			
	<b>LGEA Fund</b>	<b>Senior Citizen Tax Fund</b>	<b>Mental Health Tax Fund</b>	<b>Developer Road Escrow Fund</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ 374,904	\$ 749,728	\$ -
Intergovernmental	23,809	-	192,158	-
Charges for Services	-	446	-	-
Miscellaneous	-	18,877	-	23,289
Interest	431	12,211	18,882	5,002
Total Revenues	<u>24,240</u>	<u>406,438</u>	<u>960,768</u>	<u>28,291</u>
<b>EXPENDITURES</b>				
General Government	-	253,111	750,928	-
Protection to Persons and Property	-	-	1,250	-
Social Services	-	140,007	9,991	-
Roads	5,606	-	-	-
Debt Service	-	13,943	-	-
Capital Projects	-	-	-	-
Administration	-	17,251	-	-
Total Expenditures	<u>5,606</u>	<u>424,312</u>	<u>762,169</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>18,634</u>	<u>(17,874)</u>	<u>198,599</u>	<u>28,291</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	-	-
Transfers To Other Funds	-	-	(145,625)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(145,625)</u>	<u>-</u>
Net Change in Fund Balances	18,634	(17,874)	52,974	28,291
Fund Balances - Beginning	1,297	345,231	521,270	108,766
Fund Balances - Ending	<u>\$ 19,931</u>	<u>\$ 327,357</u>	<u>\$ 574,244</u>	<u>\$ 137,057</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Capital Projects Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Capital Projects Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 1,124,632
-	215,967
-	446
-	42,166
18,752	55,278
<u>18,752</u>	<u>1,438,489</u>
-	1,004,039
-	1,250
-	149,998
-	5,606
-	13,943
1,696,394	1,696,394
	17,251
<u>1,696,394</u>	<u>2,888,481</u>
<u>(1,677,642)</u>	<u>(1,449,992)</u>
986,529	986,529
-	(145,625)
<u>986,529</u>	<u>840,904</u>
(691,113)	(609,088)
773,540	1,750,104
<u>\$ 82,427</u>	<u>\$ 1,141,016</u>

The accompanying notes are an integral part of the financial statements.

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**CAMPBELL COUNTY**  
**COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS**  
**Other Supplementary Information**

**June 30, 2006**



**CAMPBELL COUNTY**  
**COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS**  
**Other Supplementary Information**

**June 30, 2006**

	<b>Agency Funds</b>			
	<b>Jail Inmate Account</b>	<b>Employee Fund Account</b>	<b>Performance Bond Account</b>	<b>Totals</b>
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 28,879	\$ 7,742	\$ 57,037	\$ 93,658
Total Assets	<u>28,879</u>	<u>7,742</u>	<u>57,037</u>	<u>93,658</u>
<b>Liabilities</b>				
Amounts Held In Custody For Others	<u>28,879</u>	<u>7,742</u>	<u>57,037</u>	<u>93,658</u>
Total Liabilities	<u>\$ 28,879</u>	<u>\$ 7,742</u>	<u>\$ 57,037</u>	<u>\$ 93,658</u>

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**CAMPBELL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2006**



**CAMPBELL COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky.
2. One reportable condition relating to the internal control of the audit of the financial statements is reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Campbell County are disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell County reported in Part C of this schedule.
7. The programs tested as major programs were: Housing Choice Voucher Program (14.871) and the Section 236 Direct Loan (14.138).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Campbell County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Reference Number 2006-1**

**The Fiscal Court Should Set Up All Capital Assets In Its Capital Assets Software Prior To The Audit**

During our audit of the capital assets of the County, we noted several additions that were not set up in the capital assets software. All capital assets should be entered into this software prior to the audit.

*County Treasurer Diane Bertke's Response: The County has made the adjustments in our system recommended/provided by the auditors. The Capital Asset software will be correct for FY 08 audit.*

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

None

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Year Findings – Financial Statement Audit**

The County Jailer Should Properly Reconcile Bank Account Monthly – This comment was corrected in the current year.

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**CAMPBELL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**CAMPBELL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2006**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and Urban Development		
Direct Program:		
Section 8 Housing Choice Voucher Program CFDA #14.871	N/A	\$ 3,184,025
Mortgage Insurance - Rental Housing for th Elderly Section 236 Direct Loan CFDA #14.138	N/A	345,275
Operating Assistance for Troubled Multifamily Housing Projects Section 201 Flexible Subsidy Loan CFDA #14.164	N/A	151,464
Public Housing Capital Fund CFDA #14.872	N/A	<u>77,158</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 3,757,922</u>
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Emergency Management Performance Grants MA-DES Preparedness - Emergency Support CFDA #97.042	M-05029993	\$ 21,360
Hazard Mitigation Grant CFDA #97.039	M-05218363	4,374
Homeland Security Grant Program 08/04 Exercise in Emergency Operations CFDA #97.067	M-05286905	99
Emergency Operations Planning CFDA #97.067	N/A	2,500
Citizen Corps Community Emergency Response Team CFDA #97.053	M-04615334	<u>1,027</u>
Total U.S. Department of Homeland Security		<u>\$ 29,360</u>

**CAMPBELL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2006**  
**(Continued)**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Justice</u>		
Direct Program:		
Bulletproof Vest Partnership Program	N/A	\$ 993
CFDA #16.607		
Local Law Enforcement Block Grant Program	N/A	6,550
CFDA # 16.592		
Supervised Visitation & Safe Havens for Children	N/A	87,427
CFDA #16.527		
Passed-Through State Department of		
Juvenile Justice:		
Title V - Delinquency Prevention Program -	2004-JP-FX-0044	67,185
Brighton Center		
CFDA #16.548		
Title V - Delinquency Prevention Program -	2003-DR-FX-0104	23,037
Administrative Intern Congressional Earmark		
CFDA #16.548		
Total U.S. Department of Justice		<u>\$ 185,192</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 3,972,474</u></u>

**CAMPBELL COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2006**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Campbell County, Kentucky and is presented on a GAAP cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





The Honorable Steve Pendery, Campbell County Judge/Executive  
Members of the Campbell County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campbell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Campbell County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs.

**2006-1 The Fiscal Court Should Set Up All Capital Assets In Its Capital Assets Software Prior To The Audit**

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not consider the reportable condition described above to be a material weakness.

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Campbell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

VonLehman & Company Inc.

November 29, 2006  
Fort Mitchell, Kentucky

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





The Honorable Steve Pendery, Campbell County Judge/Executive  
Members of the Campbell County Fiscal Court

**Report On Compliance With Requirements Applicable To Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Campbell County, Kentucky, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Campbell County's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Campbell County's management. Our responsibility is to express an opinion on Campbell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Campbell County's compliance with those requirements.

In our opinion, Campbell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Campbell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Campbell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report On Compliance with Requirements Applicable To Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

VonLehman & Company Inc.

November 29, 2006  
Fort Mitchell, Kentucky

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CAMPBELL COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**

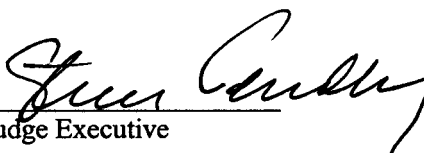



CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

Fiscal Year Ended June 30, 2006

The Campbell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Judge Executive

  
\_\_\_\_\_  
County Treasurer

